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Letter

From the Principal Private Secretary

23 February 1988

Dear Tony,

MEETING OF SUMMIT SHERPAS IN QUEBEC - 28/29 FEBRUARY

The Foreign Secretary and the Chancellor of the Exchequer will wish to know the Prime Minister's comments on my minute of 19 February about the meeting next weekend in Quebec to discuss the preparations for the Economic Summit in June.

The Prime Minister has generally endorsed the approach set out in my minute. She believes that the most important single task for the Summit is to secure further progress in the reduction of trade imbalances; she believes that reductions have been minimal so far. The position of Germany is key here. The continued fight against protectionism and agricultural subsidies and support for the GATT should, in the Prime Minister's view, be the second major item for the Summit's agenda. The Prime Minister has endorsed in particular the suggested Summit aim on macro-economic issues (summarised at the top of page 3 of my minute) that we should maintain pressure on the US and that the Japanese and Germans should take the action necessary to reduce their imbalances. On agriculture, she agrees with the suggested Summit aim (in the penultimate paragraph on page 3) that there should be no backsliding from the principles for reform agreed at last year's OECD. The Prime Minister accepts that none of this will be easy against the background of uncertain stock markets throughout the world.

On more particular points:-

- the Prime Minister is not convinced that trade imbalances are being corrected. Japan and Germany continue to be in heavy trade surpluses and it is countries like the UK who are absorbing the reduction in the US deficit. She therefore endorses the sentiment that the Japanese still have a long way to go in opening up their markets;
- she has endorsed too the suggestion that we should seek some way in persuading South Korea and Taiwan to reduce their growing trade surpluses. She accepts that Hong Kong remains a special case and that their position will need protection.

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I am sending a copy of this letter to Alex Allan
(H. M. Treasury) and Trevor Woolley (Cabinet Office).

Yours sincerely

Nigel Wicks.

N. L. WICKS

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